Apollo Tyres (APOTYR)

CMP: ₹415 | Target ₹ 520 (25%) | Target Period: 12 months | BUY

November 18, 2026

Healthy demand supported by expected margin recovery...

About the stock: Apollo Tyres (ATL), is a leading tyre manufacturer, having operations in India & Europe. In India, ATL has substantial presence in TBR (~30% market share) and PCR space (~20% market share). India contributes ~63% of sales

- FY26 product mix: Truck/Bus- 40%; PV- 38%; OHT- 10%; Others-12%

Q2FY27 Results: Apollo Tyres reported muted Q2FY27 results. Total operating income on consolidated basis in Q2FY27 stood at ₹ 7,968 crores, up 17% YoY. EBITDA for the quarter stood at ₹ 855 crore with EBITDA margins at 10.7%, down ~100 bps QoQ. Consequent consolidated PAT for Q2FY27 came in at ₹ 292 crores, up 13% YoY.

Investment Rationale:

- **Strong Domestic growth, healthy demand momentum:** The tyre industry exhibits a robust demand structure, with ~70% of its revenue stemming from the replacement market and the remaining 30% from Original Equipment Manufacturers (OEMs). In Q2FY27, the India business of Apollo delivered double digit volume growth across segments. OEM volumes grew by over 25% YoY, while replacement volumes registered low-double-digit growth. Demand continues to remain robust, although reported volume growth is likely to moderate in the coming quarters due to a higher base. With domestic plants running at near optimum capacity utilisation levels the company is executing an ambitious growth capex program amounting to ~₹ 5,800 crore over FY26-29E with benefits to accrue starting FY28E.
- **Volatile raw material profile, recent correction offers hope of margin recovery starting Q4FY27:** Rubber & crude derivatives form bulk of raw material costs at tyre companies. Consequently, domestic tyre industry has largely witnessed volatile margin profile with industry realising healthy margins during periods of benign raw material prices. Natural rubber cost increased from ~₹250/kg in Q1 to ~₹277/kg in Q2, implying a significant sequential cost increase. Crude derivatives such as carbon black also witnessed a double-digit price increase. Apollo mitigated the impact through calibrated and staggered price increases of ~13–15%, vs. the estimated 16–17% increase that would have been required to fully offset the RM cost inflation during the H1FY27. In the TBR replacement segment, the company has taken ~13–14% price increases. It expects a further mid-to-high-single-digit increase in the overall raw material basket in Q3FY27 compared with Q2FY27. Interestingly, however amid easing geo-political tensions crude prices have witnessed a decline from a high of $ 118/barrel to $ 93/barrel. Domestic Natural rubber prices have also followed the suit and are down from ₹ 300/kg to ~₹ 282/kg in the recent past. Continuation of this downtrend will lead to smart margin recovery at ATL going forward.

Rating and Target Price

- With controlled leverage of B/S (Net debt: EBITDA<1x), growth capex under execution, recent correction in key RM prices resulting in positive realisation of price hikes along with healthy underlying tyre demand (double-digit volume growth), we maintain our **BUY** rating on the stock & value Apollo Tyres at **₹ 520 i.e. 7x on avg. of FY28-29E EV/EBITDA**.

APOLLO TYRES LTD

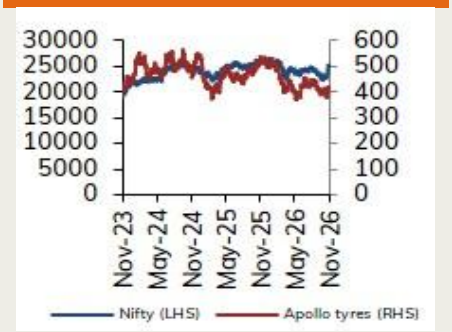
Particulars

Particular	₹ crore
Market Capitalization	26,354
Total Debt (FY26)	2,632
Cash & Inv. (FY26)	1,044
EV (₹ Crore)	27,942
52-week H/L (₹)	540 / 365
Equity capital	₹ 63.5 Crore
Face value	₹ 1

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	36.9	36.9	36.9	36.9
FII	12.3	12.2	10.1	10.1
DII	27.9	27.6	29.1	33.3
Other	22.9	23.4	23.9	19.7

Price Chart



Recent event & key risks

- Guides for cooling of RM price by FY27 end, will take additional price hikes to offset its impact in Q3.
- Key Risk: (i) elongated pressure on margins amid volatile RM prices (ii) less than expected stability in domestic demand

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Key Financial Summary

Key Financials	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	FY29E	3-year CAGR (FY26-29E)
Net Sales	25,378	26,123	28,471	10.4	33,291	35,855	37,760	9.9
EBITDA	4,447	3,572	4,143	8.6	3,729	4,916	5,285	8.4
EBITDA Margins (%)	17.5	13.7	14.6		11.2	13.7	14.0	
Net Profit	1,722	1,121	1,372	31.4	1,417	2,170	2,353	19.7
EPS (₹)	27.1	17.7	21.6		22.3	34.2	37.0	
P/E	15.3	23.5	19.2		18.6	12.1	11.2	
RoNW (%)	12.4	7.6	8.2		8.0	11.2	11.2	
RoCE (%)	15.2	10.4	12.5		9.0	12.7	13.2	

Source: Company, ICICI Direct Research

Company Update

ICICI Securities – Retail Equity Research

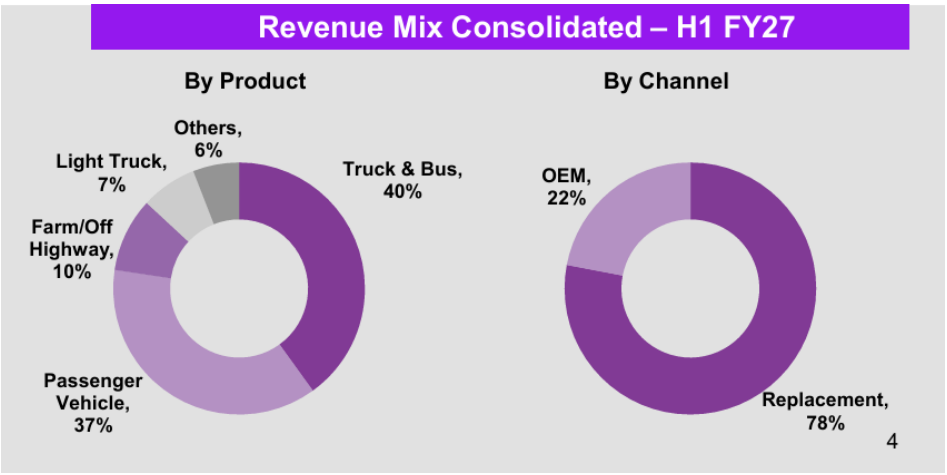
Key Highlights for the Quarter

Exhibit 1: Quarterly variance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Total Operating Income	7,968	6,831	16.6	7,398	7.7
Raw Material Expenses	4,904	3,736	31.3	4,222	16.2
Employee Expenses	831	879	(5.4)	963	(13.7)
Other expenses	1,378	1,196	15.2	1,345	2.4
EBITDA	855	1,021	(16.2)	868	(1.5)
EBITDA Margin (%)	10.7	14.9	-421bps	11.7	-100bps
Depreciation	381	383	(0.7)	391	(2.6)
Interest	94	101	(6.7)	91	3.0
Other income	42	30	42.4	58	(27.4)
Tax	104	128	(18.9)	119	(12.6)
PAT	292	258	13.3	349	(16.2)
EPS (₹)	4.6	4.1	13.3	5.5	(16.2)
Key Metrics					
Revenue (₹ crore)					
APMEA	5,973	4,823	23.9	5,529	8.0
Europe	2,156	2,191	(1.6)	2,039	5.7
EBIT Margin (%)					
APMEA	7.7	10.9	-320 bps	8.1	-35 bps
Europe	2.4	4.4	-200 bps	0.7	167 bps

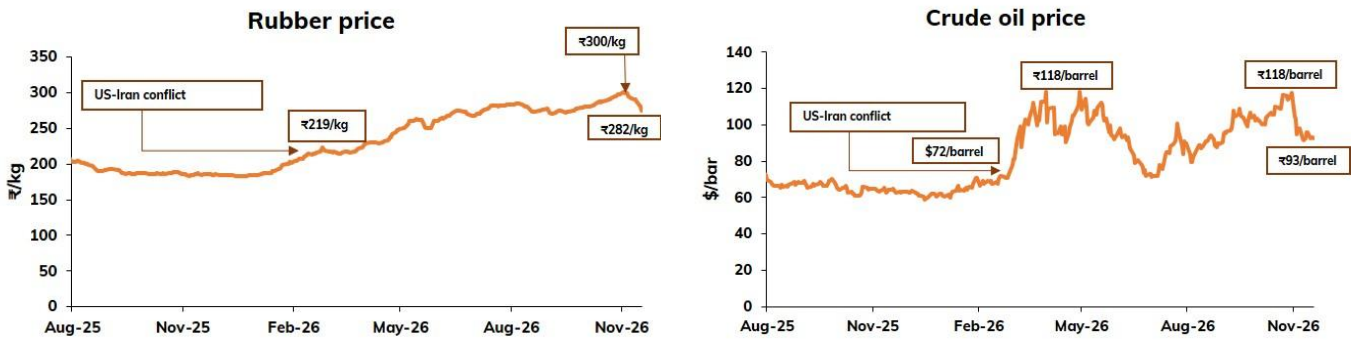
Source: Company, ICICI Direct Research

Exhibit 2: Apollo Tyres – Revenue Mix (Consolidated)



Source: Company, ICICI Direct Research

Exhibit 3: Trend in key raw material prices



Source: Company, ICICI Direct Research

Q2FY27 Concall highlights

Indian Operation

- **Strong demand momentum:** On the volume front, OEM volumes grew by over 25% YoY, while replacement volumes registered low-double-digit growth. Exports remained largely flat amid geopolitical uncertainty and subdued international demand. Within the replacement segment, two-wheelers recorded the highest growth of ~25–26%, followed by passenger car tyres (PCR), which grew in the mid-teens, and truck tyres, which witnessed high-single-digit growth.
- **Performance:** Management expects domestic demand conditions to remain supportive. India operations had delivered mid-teens volume growth during the first half, whereas management expects Q3FY27 volume growth to moderate to the mid-to-high-single-digit range.
- **Profitability Impacted by Sharp Raw Material Inflation:** The overall raw material basket increased approximately 25% YoY in Q2FY27, with natural rubber prices rising 25–26% and reaching nearly ₹300/kg in India. Crude-linked derivatives witnessed even sharper increases of approximately 28–35% across various segments, while steel cord prices increased in the low-double-digit range. It further expects mid-to-high-single-digit increase in the overall raw material basket in Q3FY27 compared with Q2FY27, peaking towards the end of FY27 and begin stabilising from FY28.
- Pricing actions & Margin Recovery Potential: By October-end, cumulative price hikes across categories had reached ~13–15%, compared with the estimated 16–17% increase that would have been required to fully offset the raw material cost inflation during the first half. In the TBR replacement segment, the company has taken ~13–14% price increases and has been among the leaders in implementing these hikes. Further increases of ~1–2% were announced across certain categories in October, with additional hikes in December or January depending on commodity prices and competitive conditions. Management expects the full impact of the price increases already implemented to be reflected in Q3FY27, supporting a gradual improvement in profitability.
- Capacity Expansion and Elevated Capital Expenditure: Management highlighted the need for timely capacity expansion to capitalise on the demand momentum and avoid losing market share due to capacity constraints. Consolidated capital expenditure during H1FY27 stood at ~₹1,500 crore, broadly in line with the company's full-year investment plans.

European Operations

- **Performance:** European operations continued to face a challenging operating environment, with revenue declining 12% YoY to €157 million in Q2FY27. The performance was affected by subdued demand in the broader European market as well as temporary supply disruptions arising from the closure of the Enschede plant in the Netherlands and the ongoing manufacturing transition. European EBITDA margin stood at 10.3%, with profitability continuing to be affected by weaker demand, transition-related inefficiencies and operating cost pressures.
- **Margin & product mix:** The PCR category registered ~5% YoY growth despite subdued market conditions, while Apollo-branded PCR volumes grew by over 50%, indicating improving traction for the brand. The Vredestein premium tyre portfolio also continued to benefit from its positioning in the European market.
- **Plant Closure & restructuring:** The company has discontinued manufacturing operations at its Enschede plant, with production having stopped towards the end of Q1FY27 while the dismantling and disposal of equipment at Enschede is expected to take another two to three quarters, although management indicated that the major restructuring-related costs have largely been recognised.
- **Management Guidance:** Management reiterated its ambition to achieve high-teen operating margins in the European business over the medium term. The current profitability remains below the desired level due to market weakness, manufacturing transition costs and supply-chain disruptions.

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E	FY29E
Total operating Income	28,471	33,291	35,855	37,760
Growth (%)	9.0	16.9	7.7	5.3
Raw Material Expenses	15,554	20,084	21,110	22,178
Employee Expenses	3,542	3,600	3,743	3,903
Other Expenses	5,232	5,878	6,086	6,394
Total Operating Expenditure	24,327	29,562	30,939	32,476
EBITDA	4,143	3,729	4,916	5,285
Growth (%)	16.0	-10.0	31.8	7.5
Depreciation	1,543	1,598	1,703	1,907
Interest	391	419	510	431
Other Income	133	187	187	185
PBT	1,309	1,897	2,890	3,132
Exceptional items	1,033.5	3.3	0.0	0.0
Total Tax	-63	481	722	783
Reported PAT	1,372	1,417	2,170	2,353
Growth (%)	22.4	3.3	53.1	8.4
EPS (₹)	21.6	22.3	34.2	37.0

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,372	1,417	2,170	2,353
Add: Depreciation & Interest	1,935	2,017	2,213	2,338
(Inc)/dec in Current Assets	-736	-1,561	-864	-642
Inc/(dec) in CL and Provisions	1,141	476	572	425
CF from operating activities	3,712	2,349	4,091	4,474
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(2,156)	(3,500)	(3,000)	(2,000)
Others	(785)	64	11	(6)
CF from investing activities	(2,941)	(3,436)	(2,989)	(2,006)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(745)	1,900	-	(1,400)
Dividend & interest outgo	(773)	(800)	(1,081)	(1,066)
Others	893	(20)	(20)	(20)
CF from financing activities	(625)	1,080	(1,101)	(2,486)
Net Cash flow	147	(7)	1	(18)
Opening Cash	898	1,044	1,037	1,038
Closing Cash	1,044	1,037	1,038	1,020

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	63.5	63.5	63.5	63.5
Reserve and Surplus	16,652	17,688	19,286	21,004
Total Shareholders funds	16,715	17,752	19,350	21,067
Total Debt	2,632	4,532	4,532	3,132
Deferred Tax Liability	1,455	1,455	1,455	1,455
Total Liabilities	22,286	25,417	27,100	27,469
Assets				
Gross Block	32,238	33,815	35,315	40,315
Less: Acc Depreciation	16,716	18,314	20,017	21,924
Net Block	15,522	15,501	15,298	18,391
Capital WIP	1,077	3,000	4,500	1,500
Total Fixed Assets	16,599	18,501	19,798	19,891
Investments	62	72	82	92
Goodwill on consolidation	277	277	277	277
Inventory	5,452	6,385	6,876	7,242
Debtors	3,191	3,648	3,929	4,138
Loans and Advances	0	0	0	0
Other current assets	1,011	1,182	1,273	1,341
Cash	1,044	1,037	1,038	1,020
Total Current Assets	10,698	12,253	13,117	13,741
Creditors	3,224	3,648	3,929	4,138
Provisions	854	419	452	476
Total Current Liabilities	4,079	4,068	4,381	4,614
Net Current Assets	6,620	8,185	8,736	9,127
Application of Funds	22,286	25,417	27,100	27,469

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	21.6	22.3	34.2	37.0
Cash EPS	45.9	47.5	61.0	67.1
BV	263.2	279.5	304.7	331.7
DPS	6.0	6.0	9.0	10.0
Cash Per Share	16.4	16.3	16.4	16.1
Operating Ratios (%)				
EBITDA Margin	14.6	11.2	13.7	14.0
PBT / Net sales	9.1	6.4	9.0	8.9
PAT Margin	4.8	4.3	6.1	6.0
Inventory days	69.9	70.0	70.0	70.0
Debtor days	40.9	40.0	40.0	40.0
Creditor days	41.3	40.0	40.0	40.0
Return Ratios (%)				
RoE	8.2	8.0	11.2	11.2
RoCE	12.5	9.0	12.7	13.2
RoIC	13.9	10.8	16.2	14.6
Valuation Ratios (x)				
P/E	10.7	18.6	12.1	11.2
EV / EBITDA	6.7	8.0	6.1	5.4
EV / Net Sales	1.0	0.9	0.8	0.8
Market Cap / Sales	0.9	0.8	0.7	0.7
Price to Book Value	1.6	1.5	1.4	1.3
Solvency Ratios				
Debt/Equity	0.2	0.3	0.2	0.1
Current Ratio	2.4	2.8	2.8	2.8
Quick Ratio	1.0	1.2	1.2	1.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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